

THULAMELA MUNICIPALITY



INVENTORY MANAGEMENT POLICY

2017-2018

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OBJECTIVES

1. The objective of this policy is to ensure that the municipality has and maintain effective system of inventory management so as to ensure that the level of accountability is maximized

LEGISLATIVE REQUIREMENTS

1. This policy is based on MFMA Act 56 of 2003, SCM policy of the municipality and other relevant legislative frameworks that governs inventory management or administration

INVENTORY - PURCHASES

1. Inventory items are only to be ordered once the minimum inventory holding levels are reached or when new product lines are requested by the Heads of Departments.
2. Purchase requisitions should be completed by the stores clerk and Supply Chain Manager before orders are issued and after quotations were obtained.
3. Quotations should be obtained according to the Municipality's Supply Chain Management Policy.
4. All inventory items purchased by the Municipality should be captured and controlled through the Municipality's inventory accounting system, computerised as well as manual.
5. All order forms should be authorised by the Chief Financial Officer or the delegated employee, before goods are ordered.
6. The Accountant Logistics is responsible for the completeness and accuracy of the following functions:
 - Receiving of items ordered;
 - Issuing of items needed;

- Overall physical control over inventory items and stores area.
7. Goods received vouchers should be completed by the Stores Controller or the delegated employee in respect of all inventory items received at the stores.

INVENTORY - ISSUES

1. Inventory items / goods can only be issued on presentation of an authorised stores issue requisition.
2. The stores issue requisition should be authorised by the Head of the Department/Delegated Official that requires the goods / items.
3. The stores issue requisition should be signed by the below mentioned as proof of the functions performed:

• Applicant	Person requesting items / goods;
• Store Clerk	Issuing of items / goods;
• Receiver of items / goods	Proof of receipt
• Head of Department/Delegated Official	Authorisation;
4. The Municipality inventory systems, computerised and manual should be updated from the stores issue requisitions.
5. It is the duty of the Accountant (Assets) to ensure that the requisitions are accurately completed.
6. The requisition should be captured onto the bin as reference and audit trail
7. Requisitions should all be clearly marked after being captured onto the computer or manual system.

INVENTORY – CONTROL

1. Access to the stores area should be limited to the stores clerks only. The area should be locked during periods when the stores clerks are not present.
2. The Store Controller should be held responsible for any unexplained shortages & surpluses that arise from the results of the inventory counts.
3. Delegated employees of the Finance Department should perform physical inventory counts regularly on a test basis. The purpose is to compare the physical inventory

with the theoretical records on a test basis and to detect possible theft, fraud or accounting errors on a timeous basis.

4. Complete inventory verifications, of all items on hand, should be performed at least twice per financial year. These counts should be performed on the last day of the financial year and at the end of December of each year. The purpose is to compare the total physical inventory with the theoretical records and to detect possible theft, fraud or error.
5. Adjustments of inventory will be done in line with the council resolution or in line with necessary supporting documents
6. The stores area should at all times be clean and the inventory items / goods stacked in such a manner which will ensure easy identification.
7. Results from all inventory counts should be kept on permanent file for future reference.
8. Unique inventory bin or part numbers should be allocated to each inventory item and be captured onto the computer system,
9. Perpetual inventory records should be kept on computer as well as manually. The inventory on hand of these two systems should at all times reconcile.
10. It is the duty of the Accountant Logistics to ensure the completeness of all inventory issue and receipt transactions on the financial system.
11. The year-end inventory on hand balance should be disclosed in the Municipality's financial statements according to the stipulations of GRAP or any other regulation that has an effect on inventory.
12. The municipality use weighted average method as a basis for allocating cost of council's inventories